DOCUMENT RESUME

ED 257 349 HE 018 378

TITLE	America's Business Schools: Priorities for Change.
INSTITUTION	Business-Higher Education Forum, Washington, D.C.
PUB DATE	May 85
NOTE	33p.; A report requested by the President's Commission on Industrial Competitiveness, which sought suggestions on ways business schools could help revitalize the American economy. For related document, see ED 231 321.
AVAILABLE FROM	Business-Higher Education Forum, American Council on Education, One Dupont Circle, Suite 800, Washington, DC 20036 ($8.00).
PUB TYPE	Reports - Descriptive (141)
EDRS PRICE	MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	*Business Administration Education; Change Strategies; *College Programs; Cooperative Programs; *Curriculum Development; Degree Requirements; Educational Change; *Faculty Development; Higher Education; *Instructional Improvement; Personnel Management; *School Business Relationship

ABSTRACT

The current state of business management education is discussed to stimulate dialogue among educators and business executives. The major issues and current challenges are considered, and broad recommendations for change are offered, primarily in the areas of curriculum and faculty development. Recommendations include: adopting alternative core curricula that are updated continuously; encouraging experimentation in elective courses, both in terms of faculty research and applications of research to new instructional materials; fostering greater interdisciplinary teaching and research; providing training in personnel management to develop skills in interviewing, counseling, negotiating, motivating, and disciplining; requiring business graduates to have oral and written communication skills and interpersonal competence; reviewing tenure and promotion practices to ensure that teaching and applied research are rewarded; providing faculty researchers greater access to corporate data and offering "executive in residence programs" at businesses; and enacting demanding admission standards that also accommodate applicants with varied academic background. Responsibilities for reform are also addressed, along with a brief historical review of university-based business education. (SW)

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AMERICA'S BUSINESS SCHOOLS: PRIORITIES FOR CHANGE

A Report by the Business-Higher Education Forum

HE 018 329

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AMERICA'S BUSINESS SCHOOLS: PRIORITIES FOR CHANGE

This report responds to a request from the President's Commission on Industrial Competitiveness and addresses an issue raised by the Business-Higher Education Forum in its May 1983 report to President Reagan, *America's Competitive Challenge: The Need for a National Response.*

Washington, D.C.
May 1985

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May 1985

ACKNOWLEDGMENTS

The Business-Higher Education Forum wishes to acknowledge the important contributions made by the members of its Advisory Committee on the Quality of Business Management Education in the preparation of this report.

The Forum benefited particularly from the leadership of committee co-chairmen Richard B. Madden (Chairman and Chief Executive Officer, Potlatch Corporation) and Harold T. Shapiro (President, The University of Michigan) and from the insights of Gilbert R. Whitaker, Jr. (Dean, School of Business Administration, The University of Michigan) and Jack Behrman (Distinguished Professor of Business, University of North Carolina).

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The University of Michigan

H. J. Zoffer
Dean, Business School
University of Pittsburgh

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EXECUTIVE SUMMARY

The objective of this report is to stimulate a much-needed dialogue among educators and business executives on a subject of compelling mutual concern — the current state of the business management education offered by American business schools. The report is not a detailed blueprint for change. Rather, the Business-Higher Education Forum hopes to raise the major issues, focus the discussion and make broad recommendations for needed changes, primarily in the areas of the curriculum and faculty development.

This report was prompted, in part, by the Forum's 1983 report to President Reagan (*America's Competitive Challenge: The Need for a National Response*) and by a specific request in July 1984 from the President's Commission on Industrial Competitiveness, which asked the Forum to suggest ways in which the business schools could contribute to the ongoing revitalization of the American economy. Despite the significant gains of the past two decades, the Forum believes additional improvements in the quality and scope of business management education are both required and possible.

The business world has changed dramatically in the 25 years since the earlier recommendations were proposed and implemented. Corporations have grown larger and their functions have become correspondingly more complex. New technologies are radically altering the means of production in some industries and in some areas. The U.S. economy is becoming increasingly internationalized. With the introduction of millions of new female and minority employees, the American work force has changed significantly. The public's expectations of business firms also have changed, reflected, for example, in the rapid growth of government regulations and in increased public demands for broader ethical responsibilities for corporations and safer work places. At the same time, the rapid growth in university degree programs has not always been accompanied by adequate concern for the quality and effectiveness of these programs.

As a result of these and other factors, concerns have been raised over the ability of U.S. business schools to educate and train adequately future business leaders for the new demands of the next decades. The Forum believes there are major opportunities for improvement, primarily in the areas of the curriculum and faculty development. And the Forum believes that educators and business executives not only have a responsibility to work together to seek improvements in these areas, but that such joint efforts often will be more productive than independent initiatives. At the same time, however, the Forum finds a number of the recent critiques of the business schools exaggerated, stemming perhaps from a misunderstanding of the proper role of business education.

From the outset, it is important to recognize that business schools do not, and cannot, turn out complete managers. Given the relatively short time during which students attend university-

based business programs — two years for MBAs, four years for undergraduate BBAs — the business schools' role is necessarily limited. Although business schools unquestionably play an important function in the education and training of many business executives, successful managers also require long periods of experience, education and development within business enterprises themselves. And this on-the-job training often is supplemented by important educational experiences outside the formal degree programs of the business school — in executive development programs and in the community, among other options.

Thus, the business degree program is merely an element (albeit a significant one for some) in a lifelong learning process toward which all education should contribute. The Forum's recommendations for improvements are made within that context — and with the strong belief that changes recommended for the business schools must both preserve and take advantage of the university's independence and its dual role as teacher and developer of new knowledge and understanding.

The Forum believes that there are plentiful opportunities for business schools to build on their gains of the past 25 years and to help America's new managers master the challenges of the future. The Forum encourages business school leaders, with an assist from business executives, to weigh the suggestions closely and to implement improvements. The Forum believes that greater quality is required of all programs.

In making its recommendations, the Forum recognizes that different schools have different objectives. Such diversity is the strength of the American educational system and must be maintained and nurtured. Similarly, it must be acknowledged that there is no single answer to the challenges faced by business managers or by the schools that train many of them. Even if there were, today's "solution" surely would be outdated ten years from now, when today's business school students will be managing American enterprises.

Thus, sustained excellence in management will require, above all, adaptability to change. To the extent that America's business schools can help managers respond to those changes, they will have played an important role in helping U.S. industry.

RECOMMENDATIONS

Curriculum and Teaching Methods

- As a means of responding to new challenges and altered circumstances, individual business schools are encouraged to adopt alternative core curricula and to update them continuously. The core must continue to provide students with the common body of skills needed by all business executives in such fields as marketing, finance, accounting and production. It should also give students an understanding of the political, environmental, ethical and technological contexts in which those skills will be applied. Within

that framework, however, individual schools should be given maximum freedom to innovate, and teachers should be rewarded for doing so successfully.

- Experimentation is particularly encouraged in the elective courses — both in terms of faculty research and in the application of that research to new instructional materials. Special forms of recognition for particularly effective teaching approaches and pioneering research might be given as incentives.

- Beyond the discipline-specific core and elective courses, business school faculties and deans should strive to foster greater interdisciplinary teaching and research as a means of helping students gain a better appreciation of the complex interrelationships that govern decisions in today's business environment.

- The rigor applied to financial and quantitative techniques can, and should, be applied equally to people management. Such courses should include the skills of interviewing, coaching, counseling, negotiating, motivating and disciplining.

- Competence in oral and written communications and in interpersonal relations should be a prerequisite for graduation from business school. To ensure such competence, business schools should integrate instruction in these skills throughout the curriculum. Particularly innovative and successful approaches should be rewarded and widely publicized.

- Business schools and their parent universities should be particularly alert to new opportunities for joint ventures — with other divisions of the university, such as international area studies, language and computer science, or with the corporate community, which can provide expertise and/or the resources needed to stimulate the development of new knowledge in such fields as information management. University administrators also should be willing to invest some risk capital into new, potentially productive fields of business school inquiry.

Faculty Development

- Business schools should review their tenure and promotion practices to ensure that they appropriately reward teaching and applied research. In some cases, current reward systems may tend to be skewed toward "academic" research, at the expense of the other functions which are equally vital in terms of helping improve American productivity, expanding the knowledge base and meeting the responsibilities of all colleges and universities.

- To help alleviate the shortage of young business school faculty, senior professors and deans should devise and implement a focused strategy for faculty development — one that provides adequate compensation (financial and non-financial) and that encourages and rewards cross-disciplinary skills in teaching and research.

• Businesses can aid in the development of faculty in several ways. Needless to say, corporate financial support to colleges and universities continues to be an important component of quality education. In addition, business can help business schools by providing greater access to corporate data by faculty researchers and by participating in expanded "executive in residence" programs. The focus of those programs should shift to provide greater opportunities for faculty members (not just students) to take advantage of the guest manager's expertise and experience.

Students and Graduates

• The Forum urges business schools and businesses alike to improve their efforts to minimize the number of initial mismatches between students and educational programs and between graduates and employers. Such "truth-in-advertising" initiatives should involve improved counseling efforts at both ends of the educational experience. At the same time, more realistic expectations — about business schools and about business — must be developed and disseminated.

• The Forum emphasizes the importance of demanding admission standards, which remain flexible enough to accommodate applicants with varied academic backgrounds.

• The Forum encourages researchers to continue to identify the often-elusive qualities of successful entrepreneurship and to help teachers foster the development of those skills in students.

Responsibilities for Reform

• The primary responsibility for making changes at the business schools rests with university officials. Business school deans and faculties should upgrade, as appropriate, their curricula and faculty development programs. University administrators should review the level of resource commitment to business school programs to ensure that the adjustments in the scope and/or the resource base necessary to facilitate improvements are undertaken. While each school must be responsible for its own changes, the Forum encourages all programs to share their experiences and to consider closely the overall recommendations for improvement to be made in the upcoming major report by the American Assembly of Collegiate Schools of Business (AACSB).

• The business community also should play a major role in several ways: as business school trustees; as members of advisory committees on specific subjects (curriculum development, for instance); as financial supporters; and as participants in innovative joint ventures, ranging from executive-in-residence programs to research partnerships.

• When reviewing business schools for accreditation, the AACSB should be guided by peer judgments of a program's quality instead of continuing to stress that schools meet rather rigid and

specific common curricular and resource requirements. Such a change in accreditation emphasis should encourage schools to innovate.

- Government has a responsibility to make available adequate funds with which researchers can study the behavioral aspects of management excellence. Such research is an essential supplement to the ongoing government-funded studies on the more technical aspects of business, such as information management systems.

- The Business-Higher Education Forum should also consider reviewing the educational programs for business that are conducted by business firms and universities as part of the lifelong learning process.

FOREWORD

In May 1983, the Business-Higher Education Forum submitted a report to President Reagan — *America's Competitive Challenge: The Need for a National Response* — which called on all sectors of society to take initiatives to improve the performance of U.S. industry. The development of human resources, through improved education and training, was one of the three critical requirements cited by the study, which added: "Working together, businesses and universities can pool talents and resources to accomplish what they could not achieve working independently."

In May 1984, the Forum published a follow-up report — *Corporate and Campus Cooperation: An Action Agenda* — which elaborated on the partnership themes addressed by the previous study and made specific recommendations for cooperative action by the academic and business sectors to enhance higher education.

In one sense, this report is another chapter in the Forum's ongoing competitiveness series. It addresses a specific area of higher education — business management — where arguably the mutual interests of the corporate and academic sectors are most apparent. Perhaps more directly, this report responds to a request by the President's Commission on Industrial Competitiveness, which urged the Forum in July 1984 "to continue to work in articulating the role of American business schools in responding to America's competitive challenge."

This report is not a detailed blueprint for improvement. It has a more limited, but no less important, objective. The Forum hopes to stimulate a much-needed dialogue among educators and business executives on a subject of compelling mutual concern. The goal is to raise the major issues and make broad recommendations for appropriate changes. In so doing, the Forum hopes to help focus the discussion and establish the agenda for action by individual institutions. The Forum looks forward to more detailed recommendations to be forthcoming from the American Assembly of Collegiate Schools of Business (AACSB), whose study on the future of management education and development is scheduled for publication in 1986.

This report focuses on university-based business education. The Forum is not unmindful, however, of the vital contributions made by other undergraduate, graduate, post-graduate and executive training programs. In fact, the underlying strength of the American education and training system rests on such diversity, which must be preserved and nurtured. Thus, the recommendations found in this report should not be read as a blueprint for uniform initiatives, but rather as suggestions for action by individual deans, faculty members and corporate executives at their respective institutions.

INTRODUCTION

The competitive vitality of American business depends, in part, on the creative energy, talent and vision of business management. In addition to possessing certain professional skills, business leaders must be able to motivate people and organizations. They must be flexible, and able to tolerate ambiguity and uncertainty. They must be creative, able to develop and implement new processes and products. These characteristics, in turn, require effective skills in the areas of communication, negotiation, coordination and delegation, all of which must be guided by both vision and commitment. Further, effective business leadership requires an understanding of the evolving role of business enterprise within our society as well as an understanding of the respective roles of government and private enterprise within our economy and among our trading partners. These are basic leadership qualities, applicable to all managers in all eras.

There are newer challenges, however. For example, today's managers must be increasingly sensitive to the strategic importance of information systems. They must be able to develop management systems and styles that are responsive to the widening spectrum of corporate responsibilities and that effectively harness the creative energies of a changing work force. They must be familiar with new technologies, be able to understand the importance of organizational flexibility in responding to marketplace and political change, and be prepared to engage in the growing international exchange of ideas and products. These and other characteristics of the emerging business environment place great challenges and opportunities before American business leadership. Their response to these issues will play a key role in determining whether the United States continues to exert leadership in both its domestic and international affairs.

The ability of American business managers to respond effectively to those economic and social challenges depends on many factors. This report focuses on only one of them — the quality of formal business education. Indeed, the report focuses almost exclusively on the component of business education that takes place within the formal business degree programs of the nation's universities.

Business education is only a small part of one's formal education, which itself is only a component of the broader lifelong learning process. The Forum emphasizes that lifelong learning is of critical importance to the development of future business leaders.

Formal business education concentrates on teaching the skills of administration and management and further enhancing their students' evolving understanding of the environment in which business leadership must operate. Business leadership requires successful managers to develop many vital skills outside the business school classroom — in other schools, on the job and in

their communities. The Forum recognizes that leadership skills are developed in a variety of ways. No single approach will effectively serve all people or all organizations. There are many pathways — comprised of a wide range of experiences — that will lead to the development of future business leaders. Nevertheless, university-based business education will be an important phase of many individuals' "education for business." This report is focused on ways to enhance that university experience.

PERSPECTIVES ON BUSINESS EDUCATION

To ensure that recommendations for change in the business schools do not undermine the vital and unique role played by the American university in today's society, one must first appreciate the special nature of that role.

In America, contemporary university education (including business education) has at least two broad functions — teaching and research. The first provides students with knowledge and a set of skills, the most important of which are the ability to learn how to learn and the capacity to understand how the present relates to the past as a means of better developing our human and physical assets for the future. The second encourages the pursuit of new knowledge and understanding, which together provide the foundation for innovative approaches to solving problems. University teaching and research programs, therefore, serve society in at least two ways. In providing important training (including advanced research training), they are society's servants. In always looking for new and better ways of solving problems, they are society's critics.

The single characteristic that differentiates the modern American university from its medieval and colonial counterparts is that it is an institution ruled by a "culture of inquiry" rather than by a "culture of dogma." This transformation reflects society's renewed commitment to the intrinsic value of knowledge and truth and a belief in human progress. As a result, our concepts of the role of intellect in human affairs have been transformed, and universities have been turned into independent centers of education and thought. Changes adopted for business education must both preserve and take advantage of that unique independence.

While the Forum understands and respects the ideals of the contemporary American university, it also notes that many university programs fall short of adequate performance in one or another of the major responsibilities outlined above. Clearly, many existing university programs make little or no direct contribution to the development of new knowledge, and others fall short in the transmission of existing knowledge and understanding. Some programs may be deficient in both the major responsibilities of teaching and scholarship. The Forum takes this opportunity, therefore, to indicate its support for the improved quality of all university programs and its hope that increasing numbers of programs will meet the special dual responsibilities of university programs.

The modern business school, like other professional schools, has the dual task of educating new professionals and of developing new knowledge for others. But it also must serve as a "conscience" to its profession and as a stimulus for appropriate change. Thus, business schools must be both a part of the profession, so as to be

able to understand it, and independent from it, so as to be able to critique it objectively. None of this can be accomplished without continued dedication to enhancing the quality and adjusting the scope of these programs.

History of University-Based Business Education

Business education is a relative newcomer to the university. Although some topics such as accounting were taught earlier, the first school devoted entirely to the study of business (the Wharton School) was established at the University of Pennsylvania in 1891. Today, the American Assembly of Collegiate Schools of Business (AACSB) has 628 member institutions. Of these, 34 are accredited at the undergraduate level only, 14 at the graduate level only and 193 at both levels. The remaining AACSB schools are not accredited for a variety of reasons; some programs pursue specialized niche areas, which, however worthwhile, are insufficiently broad-based to qualify, while others are actively seeking to upgrade their programs to earn accreditation in the future. There are also a number of schools that do not belong to the AACSB at all, but the vast majority of students are enrolled in AACSB-member schools.

For their first 75 years, university-based business schools developed in diverse ways. Many schools adopted rather narrow curricula aimed at training individuals for specific jobs in circumscribed roles. Much of the instruction was descriptive. Rarely was it based upon a systematic analysis of the business environment. Indeed, such an understanding was deemed unnecessary. Faculty concentrated on teaching. For the most part, they neglected the development of new knowledge as outside their purview. As a result, business faculties often were not considered an integral part of the community of scholars at the nation's universities.

In the late 1950s the Carnegie and Ford Foundations sponsored studies to assess the nature of business education and to make recommendations for improvements. Although significant changes already were under way, the resulting reports by Pierson and Gordon/Howell — combined with major grants from the Ford Foundation, which enabled schools to implement a number of the key recommendations — have had a significant impact on American business education.

The reports set in motion a series of largely successful efforts to improve the quality of American business school faculty, students and curricula. For example, the nation's business schools, in partnership with other scholars and practitioners, have significantly enhanced our basic understanding of many business-related subjects in the curriculum through a much deeper and more successful blending of business knowledge in fields such as finance and marketing and knowledge from related disciplines such as economics, mathematics and the behavioral sciences. In addition to the curricular changes, new programs in faculty research were introduced and new vehicles for more meaningful interactions between faculty and the business community were inaugurated.

In all, the intellectual underpinnings of the business schools were improved dramatically. One result of these developments has been the fuller acceptance and integration into the university community of business schools, their faculty and their students. This has increased the quality of instruction and research in business-related disciplines and has increased the general awareness within the broader university community of the importance of the institution of business to society. In themselves, those two contributions are significant.

While the business schools were undergoing major improvements, they also were growing rapidly. Since 1960, the number of master's degrees in business awarded annually has grown more than 13 times, from 4,640 to an estimated 63,000 in 1984. Today, university-based degree programs in business and management graduate almost 275,000 students a year — about 600 Ph.D.s, more than 60,000 MBAs and about 210,000 undergraduates (BBAs). Indeed, there has also been a rapid expansion in the number of schools offering the associate as well as the bachelor's degree in business. The growth in the undergraduate business management programs flies in the face of recommendations in both the Pierson and Gordon/Howell reports, which suggested that business education be centered primarily at the graduate level.

THE CURRENT CHALLENGES

In spite of the significant accomplishments of the past two decades, improvements and changes in business management education still are needed, desirable and possible.

First, the environment within which business must function has changed dramatically in the past decade, as have the nature of American corporations and society's expectations of them. Since the Carnegie and Ford reports were published, corporations have continued to grow larger and more complex. The practice of management has, correspondingly, become more complicated. Product lines are more diversified and international commitments more prevalent. Each corporation is faced with an increasingly "public presence" as the demand to serve many "public" interests has increased. The need to reconcile the short-term and long-term interest of employees, stockholders, suppliers and customers has grown ever more challenging and requires more flexible leadership. For these reasons alone, it is appropriate to reassess business education to determine whether it is meeting the challenges of the new and rapidly changing business environment.

Second, in the past several years a number of critics have questioned the current quality, content and orientation of business education. Some of the critiques have considerable validity and need to be addressed and acted on by universities, business schools, the business community and, in some cases, the government. Other critiques appear to have limited applicability to business degree programs, stemming perhaps from imperfect expectations of what can, and should, be accomplished in brief, two-year (MBA) and four-year (BBA) business programs.

For instance, those who blame primarily the business schools for America's declining industrial competitiveness miss the central point that managers are formed not only by their undergraduate and graduate schooling but by a much broader interpretation of schooling, job and post-graduate experiences — in fact, by their entire lifelong learning experience. To exclusively emphasize the responsibility of the business schools is to invest those institutions with far more influence than they have — or should have. At the same time, these programs must recognize that, at the very least, they are part of the problem and, more importantly, can be part of the solution.

This report attempts to address forthrightly all major criticisms and issues, with an eye toward implementing changes where appropriate. The review is divided into three sections — curriculum and teaching methods, faculty, and students and graduates — prefaced by an overview of the basic responsibilities of business management education.

Overview

While different colleges and universities have significantly different objectives for their business schools, there is a considerable consensus on a number of main points. Objectives should be focused not only on the acquisition of a body of basic knowledge, but more importantly on the development of analytical and personal skills so that knowledge can be applied to detecting and solving managerial challenges.

Programs that aspire to educational leadership should be designed to provide an environment in which students learn the basic analytical tools, concepts and models for management. Effective managers will be required to have command of such knowledge from the earliest stages of their careers, even when analyzing relatively routine problems. Furthermore, as graduates move into senior management, with its more complex problems and additional demands of leadership, "the basics" will remain the indispensable foundation for effectiveness.

Knowledge should be drawn not only from the business fields but from underlying disciplines such as economics. Students will learn to understand both the potential and limitation of theories when they have to implement those broad concepts in particular real-world situations, where uncertainty abounds and the options often appear limitless. Ideally, curricula also should be designed to enable students to recognize that problem-solving and managerial decision-making require an understanding of the total political and social environment within which the modern business firm operates. Finally, schools should stress not only analytical and quantitative approaches, but also the central importance of people in successfully managing business firms and in developing and implementing new ideas and products.

Helping students develop such a wide spectrum of abilities is crucial, but difficult. Thus, different schools can be expected, and in fact are encouraged, to utilize vastly different approaches to teaching and learning. Whatever the teaching methods used, however, graduates and their employers should be expected to recognize that they have learned in their business programs only a small part of what they need to know, and that it is imperative that they continue to learn from experience and from post-graduate education throughout their careers and lives.

Curriculum and Teaching Methods

The professional part of the curriculum of most business schools approximates two years of course work at both the undergraduate and graduate levels. At the undergraduate level, most of the first two years is devoted to the arts and sciences. In most cases these courses are not taught by business school faculty — nor should they be.

Many business students obtain part of their business education at community colleges. Community colleges can also provide access to students who might not otherwise have higher educatio

in business available: the mature student currently employed, the urban and the rural student not near other institutions.

At the graduate level, students already will have earned an undergraduate degree in some field ranging from art to zoology; preferably, though far from universally, they also will have had the required broad background in the humanities and sciences so necessary for leadership in today's complex world. In any case, the design of business curricula typically assumes that the student has, or will develop, adequate background in this area outside the business curriculum itself.

Thus, when designing course offerings for two-year undergraduate and graduate business programs, faculty must give careful consideration to both previous educational experience and to the lifelong nature of preparation for business leadership. They must distinguish between areas that can be learned most effectively in a business school setting and leave to others those areas that are learned more effectively through other educational experiences or in the work place.

That is not to say that business school faculty should be removed from other, non-degree educational activities. Clearly, they should not. For instance, business school faculty also can, and should, help develop and teach educational programs for practicing managers. They can play key roles in utilizing state-of-the-art research findings (their own and others') in executive education programs. There are many exciting opportunities for efforts between business schools and business leaders to develop innovative programs to assist executives in lifelong learning, to broaden and strengthen executive education and to assist faculty in keeping current with major challenges to American business. While these non-degree granting initiatives are beyond the scope of this report, the extensive research project under the sponsorship of the American Assembly of Collegiate Schools of Business is addressing this issue.

In planning the business school curriculum, faculties must sometimes balance conflicting goals. On the one hand, they must provide students basic business knowledge and expertise in the applied fields of management. These applied business fields include finance, marketing, production and operations management, human resource management, quantitative methods such as accounting and statistics, and business policy or strategy. Furthermore, students and employers alike often want business school graduates to have more than basic knowledge in one or more of the basic fields.*

Additionally, faculties are asked to teach these subject matters so that students obtain a more holistic view of management, recognizing the impact of governmental, environmental, technological, ethical and other forces on managerial decisions. Finally, a number of observers have suggested that business schools should pay considerably more attention to the development of communi-

*"Report Cards on the MBA," *Harvard Business Review*, September-October, 1984.

cation skills, foreign language abilities and personal traits that are important to the effective management of people. These are the objectives that ideally inform the design for an effective core curriculum. Whether or not all these objectives are achieved, they provide useful guideposts for the ongoing evaluation of programs.

Establishment of a strong core curriculum to provide such a common body of knowledge was one of the fundamental recommendations of the Carnegie and Ford Foundation reports 25 years ago. Since then, a core curriculum has become standard within all accredited business schools. While this ensures that broadly similar curricula are offered to most students, it may also tend to stifle new initiatives. At the very least, schools tend to use the accreditation standards as an excuse not to develop innovative curricular efforts of their own.

The concept of a core curriculum does not mean that all schools must offer the same one. The Forum urges accredited business schools to develop alternative core curricula continuously, as they strive [illegible] to adjust programs to new developments in the business environment and to expand on the growing knowledge bases in the fields that underlie management education. Business schools should not feel constrained by having to await accreditation before moving forward with their revised curricula. Strong faculty input must guide the development of the core curriculum, but business advisory committees also should be asked for their views when major curricular changes are contemplated. More active and substantive interchange on curricular issues can foster greater mutual understanding among the business schools and their external constituencies.

The core curriculum, however innovative, must stress the fundamental knowledge that all potential managers need to know. The emphasis should be on basics and a broad approach to business problems. Students need to understand both the underlying framework for analyzing problems and the particular application of solutions in various fields. This core knowledge is an investment in a graduate's ability to learn and grow on the job over his or her entire career. Thus, the goal must be to develop not only specific knowledge but a firm basis for continued learning. Indeed, modern business education programs should be distinguished by their commitment to the principle of lifelong learning.

Beyond the core curriculum, more experimental efforts of all kinds can, and must, take place during the elective and major field portion of two-year business education programs. Elective courses offer the best opportunity for experimentation — where faculty conduct research and develop new teaching materials from new research findings (their own or others'). Students and faculty can use the electives to pursue practical knowledge through courses involving projects in the business community or through more complex cases. The Forum urges business faculty to experiment widely in the elective courses — not only to bring new knowledge to a fuller state of development but also in ways which allow students and faculty to gain experience in business organizations.

In experimenting with curricula, university-based business degree programs should seek out joint ventures with other programs or other schools. For instance, engineering schools and some community colleges, with their emphasis on high technology programs (CAD-CAM, robotics, telecommunications) are uniquely equipped to develop models for integrating the study of technology into the business curriculum, and might be included in discussions of curricular reform.

Both the core and elective courses have a common denominator: they impart basic knowledge about specific disciplines. Critics, however, have especially assailed the business schools for neglecting to support and teach interdisciplinary approaches to business challenges. The Forum believes that within the degree programs each school must develop curricular structures, which attend to these cross-disciplinary needs and which reward faculty efforts that address these concerns. The Forum recommends that business school faculties and deans address these issues within their own institutions and share widely their experiences with their colleagues at other business schools.

Many business school critics have focused on the inadequate skills of graduate students in the areas of oral and written communications and interpersonal relations. All observers consider these skills critical to effective management and leadership. While it is true that graduate students should have received — and often did receive — adequate training in these fields at the undergraduate and high school levels, the Forum nonetheless believes that the business schools are ultimately responsible for ensuring their graduates' competence in these fields. This extraordinary challenge cannot be effectively implemented merely by special courses in communication skills alone. It requires efforts by all faculty in every course. Because effective communications are indispensable ingredients for successful management activities in all areas — from problem-solving to negotiations — skill training in these disciplines should be incorporated throughout the entire curriculum.

Many recent business school critiques also have articulated a number of more specific curricular concerns. These include a lack of attention to production management and new product development, too much emphasis on quantitative models that have little or no current applicability to business decisions, and insufficient attention to environmental and governmental influences upon corporate decision making. Although many schools already are responding to these needs, much still needs to be done. The Forum urges business schools to pay continued attention to these critical areas, to continue to integrate these subjects into faculty and curricular development efforts, and to share widely their successful approaches.

Finally, there is one widespread criticism about business school curricula with which the Forum disagrees — that is, that business schools stress a short-term bias. It is said that the schools' problem-solving methods, particularly those of financial management, are skewed toward short-term performance goals and this bias has

caused American business to neglect the future in favor of current earnings. If American management practices are geared toward short-term performance, the Forum believes the reason does not reside primarily in business school curricula. Indeed, the schools' new emphasis on theory moves the curriculum in exactly the opposite (long-term) direction. The capacity to balance short- and long-term goals effectively is critical to business leadership. Business education programs, therefore, also have a direct responsibility to be sensitive to this issue and provide intellectual leadership in approaching this problem.

The dynamic and constantly changing nature of the business world and the growing importance of the many factors that will affect future managers — ranging from international trade to government regulations — make it imperative that business schools continue to improve their curricula. The Forum recognizes that efforts to make curricula more innovative and interdisciplinary, for instance, will require an extraordinary commitment of resources.

Business schools should invest in new areas and joint ventures with other university programs, such as computer science, international area studies and the social sciences. University and business school administrations should spend some of their risk capital to encourage business school faculties to undertake the very difficult task of appraising pioneering research in fields that are new to the academy, but which may have important business applications. Recognition should be given to faculty who develop the most useful new elective courses, who write a pioneering monograph, or who most effectively teach communications skills, for instance.

The precedent-setting improvements in business education that began more than two decades ago were stimulated in large measure by a $35 million grant from the Ford Foundation. The Forum encourages foundations to provide similar seed money to business schools today. Similarly, businesses should provide matching funds to innovative business school programs and to finance teaching and research prizes. And following the lead of some computer manufacturers, other industries could provide direct assistance and/or expertise that would allow business schools to pursue research in fields where existing knowledge is scanty.

Faculty

The faculty is at the heart of any business school program. Without excellence and vitality in this group, business schools will fail to meet their responsibilities. For a variety of complex reasons, however, business schools are unable to attract an adequate number of the highest quality faculty. Part of the problem is that the number of doctoral graduates in business administration fields has not kept pace with the rapid expansion of business schools. For this and other reasons, today there is a critical shortage of highly qualified young business school faculty.

When striving to make business school faculty careers more attractive, administrators should recognize that inadequate or non-competitive compensation levels are only one aspect of the

problem, and one not unique to business school faculty. An atmosphere of intellectual excitement and the opportunity to share ideas and projects with other first-rate peers, external colleagues and students often eclipse salary and material benefits as the most vital parts of the total "compensation" package. Interaction with the most able practitioners through research, consulting and executive education on matters of mutual concern can add significantly to the intellectual stimulus of able faculty, the quality of the curriculum and, in some cases, to the income of the faculty.

Critics argue forcefully that many business schools, particularly at the research university, have skewed the reward system too heavily toward performance in "academic" research and that there are inadequate incentives for either applied research or high-quality teaching. This argument clearly transcends business schools and remains a constant challenge to those universities that realistically aspire to excellence in both teaching and research. Clearly, any organization with complex multiple objectives must constantly examine its existing balance of goals and rewards.

Along these lines, it is important to recognize the importance of teaching, applied research and discovery research alike. Faculties should be rewarded for all three — whether their activities center on classroom instruction, on helping to transfer specific knowledge and technologies to businesses, or on publishing more general research on topics of broad importance to society. The Forum urges business schools to review their tenure and promotion policies accordingly so that all types of teaching and research activity are duly recognized and adequately rewarded.

For business schools that do not accord teaching an important role for faculty, the Forum urges them to do so. Teaching is critical and must be stressed in appraising faculty. Teaching is of vital importance in its own right and in the socially useful transfer of knowledge and technology between universities and business enterprise. The Forum urges, therefore, that business school faculties make as effective use as possible of any new understanding of how people learn, since such understanding may eventually lead to new and more productive teaching methodologies. The Forum fully recognizes, for instance, the role research plays in enhancing the quality of instruction. Thus, adequate resources must also be allocated to research. The Forum urges that these resource issues be given full consideration by university and business school administrations.

The existing reward systems tend to require that faculty specialize and that they focus their teaching efforts on their specific disciplines. Critics allege, with some justice, that such specialization often leads to the neglect of the cross-disciplinary educational needs of future managers. These interdisciplinary issues include such topics as the international nature of most current business decisions, the impact of governmental regulations, the need to be sensitive to ethical implications of management decisions, the dedication to quality, the requirement of flexibility, the effects of the computer and information technology revolution on manage-

ment, and the need to be concerned with the rights and responsibilities of individuals as well as those of the firms. Business schools must do a better job of addressing the complex interrelatedness of most issues facing business today.

Resolution of these interdisciplinary concerns is a critical faculty development and curricular issue for American business schools. Therefore, senior faculty and deans must take considerable responsibility for helping new (and in some cases experienced) faculty develop as teachers not only in their own fields but in the degree programs in which they teach. In other words, faculty members should understand the total business process as well as the role their particular specialty plays in that process. This specific redirection will require a deliberate strategy for faculty development, which is as well-developed as similar executive development programs offered by the best managed of America's businesses, and which is more extensive than merely providing research support. The Forum is not the appropriate group to prescribe such a strategy, but strongly urges business schools that have not planned such a broad-gauged program of faculty development to do so.

Business firms can be very helpful in faculty development by increasing their support to, and interaction with, the schools. These initiatives can include providing financial support, allowing and encouraging faculty access to data for research, and helping develop various joint projects. The Forum believes both sectors would benefit from partnerships that are more structured than many existing efforts. In order to make such interactions effective and to preserve the integrity of each sector, the mutual goals of the individual faculty member and the business firm must be identified and addressed up front. Experience suggests that successful interactions must be planned very carefully and implemented so that each party believes that mutual benefits will accrue in such basic areas as faculty development, well-educated graduates and more relevant research. A healthy pattern of cooperation will include a wide variety of relationships and alliances designed to meet specific needs and to facilitate the sharing of knowledge and the pursuit of excellence.

New initiatives would be highly desirable. For example, the present "executive in residence" programs are useful, but they are addressed principally to students and tend to neglect critical discussions and assessments of faculty research in the specific area of the guest manager's competence. Such executives could teach more and be drawn from a wider spectrum of management positions, thus providing role models for students and helping to integrate the concepts of management into course work. Faculties would benefit from increased exposure to, and increased interactions with, managers who, in turn, would be able to return to their jobs with new perspectives. For such activities to be effective, however, they must be encouraged and rewarded by both the business school and business firm. Reciprocally, business might sponsor individual teachers for more off-campus courses and seminars.

Students and Graduates

Many of the strongest criticisms about the business schools are directed at the attitudes and job preferences of recent graduates. For example, it is sometimes asserted that faculty emphasis on research — especially at leading schools — does not yield graduates with realistic ideas regarding careers in business. It is also asserted, usually on the basis of anecdotal evidence, that graduates do not want to work hard, that their expectations regarding promotion, starting responsibilities and compensation are unrealistic, and that once hired, they expeditiously seek to move into a top management slot or to job hop to another firm.

It is true that some business graduates are extremely well paid and that they do expect challenging assignments quickly. Such expectations are not unrealistic for some — for those with strong academic credentials and significant prior work experience who graduate from a top-flight MBA degree program. The Forum sees no evidence, however, that this is the normal expectation. On the contrary, it appears that most students understand and accept the market signals they receive. Graduates of business schools exhibit substantial differences both within and among schools — mirroring the diverse needs of various firms.

Some MBA graduates become staff experts or functional specialists. Others become general managers. Some join large multinational corporations. Others start their own firms. Such diversity is altogether appropriate. And business schools should not try to pigeonhole certain students into certain fields. Again, the schools' responsibility is to provide the basic skills that will allow their graduates to pursue a multitude of different assignments and management roles.

Some business graduates do move frequently — as do other employees — from one job to another. This movement may result from many different forces, which suggest that both individuals and employers often benefit from such changes. On the other hand, such moves may involve unnecessary personal and social costs if they occur because of mismatched expectations. Business schools can, and should, help both students and firms set realistic expectations, either through their curriculum offerings or through their placement offices.

Students can be helped to make thoughtful judgments about their career objectives during their educational program and as they begin their job search. In this area, business schools can, and should, share with students information about specific firms and about jobs. Additional joint efforts along these lines perhaps can reduce the number of initial mismatches.

On a related matter, some critics have suggested that all schools should have the same, or similar, qualifications for entering students. The Forum disagrees. Certainly there should be a continued emphasis on enhanced admission standards. It is recognized that outside activities and more subjective qualities — high energy levels, desire for self-learning, ability to deal with uncertainty,

interpersonal skills and common sense — are important in the determination of future potential success in the business world. Although the source of entrepreneurial skills is not well understood, the Forum suggests that efforts continue to be made to search for its presence. Furthermore, business experience for students at varying levels of their education can be of substantial importance. While quality and the potential for excellence must be the general thrust of admissions officers, freedom of choice and diversity are important, provided that entering students are well-informed about their choices and are adequately skilled and motivated to meet high-quality graduation standards. The key issue is quality of programs and graduation standards.

Finally, some have suggested that there is an oversupply of business school students graduated each year (about 275,000 undergraduates and graduates in 1983). Again, the Forum has not detected any convincing evidence that this is the case. Market signals are not perfect — especially in the deployment of university-based assets — but the market has not yet signaled any excess supply of business graduates, although some business graduates do enter other technical or professional occupations. Although manpower forecasting is difficult, we expect that between 1982 and 1990, replacement demand alone for managerial and administrative jobs (broadly defined) will require over 1 million new entrants. It is, of course, more difficult to assess the additional demand for managers that will arise from economic growth, industry restructuring and other sources. It is no doubt true, however, that many business graduates who aspire to high level management jobs will not reach those positions. They never have. In a market society, individuals will respond to observed market opportunities. All of the current projections undoubtedly will require adjustments, as market and other forces change the outlook for business graduates. Although the Forum believes that both universities and employers will respond appropriately, over time, to market forces, the Forum is not satisfied that the current level of resource commitment to university-based degree programs, including the students' time, is always as effective as it might be. In part, this relates to the issue of quality.

The Responsibilities for Change

As has been suggested throughout this report, implementing meaningful changes in American business management education will require the active participation of many sectors of society, working separately and, in some cases, together.

The primary responsibility rests with university officials. Business school deans and faculties must upgrade, as appropriate, their curricula and faculty development programs. University administrators must provide their business and management schools with the necessary resources to respond effectively to today's challenges. In some cases, the scope of business programs may be altered; in other cases, the size of those programs may be changed. While it will remain the responsibility of each school to

continue to make its own improvements, the Forum believes schools should more effectively share their experiences with others. Further, the Forum believes all schools should consider closely what promise to be useful guidelines for improvement in the upcoming major report by the AACSB.

The corporate community has an important and multi-faceted role to play, too. As members of university and business school boards of trustees, or as members of advisory committees, business executives can provide extremely valuable input in the design of various activities of the school. As the members of special business advisory committees, they can and should play a substantive role in shaping more specific initiatives in such areas as curriculum development. Business executives can take the lead in stimulating and implementing innovative joint approaches in the fields of teaching and research. And when university budgets are being reduced substantially for a variety of reasons, corporate financial support to educational institutions is more important than ever. Such support can be directed toward general support or it can be targeted into specific areas of need — e.g., new research fields, Ph.D. fellowships, prizes for curricular experimentation.

Innovation and improvement in America's business schools would be significantly encouraged by a less rigid approach to accreditation. The accrediting body (AACSB) is rightfully concerned with quality but has evolved a system of accreditation that relies heavily on achieving a rather rigid set of quantitative guidelines concerning resources and curriculum. These rules are sometimes used by schools, under the tacit encouragement of the accreditation process, as a substitute for their own assessment of the educational requirements for a quality program. The Forum urges the AACSB to accelerate its recent movement away from very rigid regulations based upon quantitative criteria and specific curricular requirements to a posture of informed peer review. Such a change would be consistent with the AACSB's recently adopted reaccreditation process. This recommendation is not meant to suggest that business school accreditation should neglect resource issues altogether, but the accreditation process should squarely focus on assessments of quality and should encourage innovation and change at the local level.

Government has an important — although comparatively limited — responsibility to the business schools, too. The Forum urges public policy makers to make available funds for research on the behavioral aspects of management — at least to the extent that monies are available to study the more technical aspects of management responsibility, such as information systems. Such research could lead to the better utilization of human resources, which is essential to improvements in American productivity and, hence, to U.S. industrial competitiveness.

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ABOUT THE BUSINESS-HIGHER EDUCATION FORUM

The Business-Higher Education Forum was created for the express purpose of promoting discourse and acting on issues shared jointly by American business and the nation's higher education institutions.

Founded in 1978, in affiliation with the American Council on Education, the Forum is an organization of leading corporate and academic chief executives. The Forum's major objective is to provide an opportunity for interchange among its members on matters pertaining to their respective interests and, hence, to the common aspirations and needs of the business and academic communities. Within that framework, the Forum has three major goals:

- to identify, review and act on selected issues and topics that relate to the current and future requirements of business and higher education;
- to enhance public awareness of the concerns shared by business and academic leaders and to serve as a positive contributor in helping shape public policy thinking as it affects those concerns; and
- to help guide the evolution of future relationships between corporate America and institutions of higher learning, while preserving their separate historical and traditional functions.

Social and economic progress in the United States owes much to the vital contributions business and higher education have made to each other — and to the larger society. Today, prosperity in both sectors faces unprecedented challenges. But there are also unlimited opportunities. The Forum is a unique expression of the leadership and thinking so essential to continuing and achieving that quest.

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